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[FINAL Q&A - December 22.pdf](#)  
[FINAL EPCM Contract Decision KMs December 22.pdf](#)  
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From: Sarah Sullivan

Sent: 12/22/2010 02:15 PM NST

To: Dawn Dalley

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(See attached file: FINAL EPCM News Release- December22.pdf)(See attached file: FINAL Q&A - December 22.pdf)(See attached file: FINAL EPCM Contract Decision KMs December 22.pdf)

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## **Nalcor Energy Announces EPCM Contract Decision for Lower Churchill Project**

*December 22, 2010, St. John's, NL* – Nalcor Energy issued a letter of intent today for the engineering, procurement and construction management (EPCM) contract for components of Phase 1 of the Lower Churchill Project to SNC-Lavalin.

“The Project team made its decision following a very thorough decision process based on a number of elements but driven by the value the proponent could bring to the project,” said Gilbert Bennett, vice president, Nalcor Energy – Lower Churchill Project. “SNC-Lavalin offers the world-class engineering, procurement and construction management experience required for a project of this magnitude. Their specialization in hydroelectric developments, transmission, HVdc and civil works will be critical to the successful construction of the Lower Churchill Project.”

The EPCM contract includes the Muskrat Falls Generating Facility and the Labrador – Island Transmission Link. The contract does not include the Strait of Belle Isle subsea crossing or the Maritime Link. Nalcor Energy will conduct the work related to the strait crossing using a specialized contractor and a decision on an EPCM contractor for the Maritime Link will be done in conjunction with Nalcor's partner, Emera Inc.

SNC-Lavalin is a Canadian company with offices across Canada and around the world, including Newfoundland and Labrador. Engineering and procurement for the Lower Churchill Project will be performed primarily from St. John's. As the Project progresses, construction management will occur predominantly at the Muskrat Falls generating site in Labrador, as well as at various transmission locations in Labrador and on the island.

“The EPCM contract aligns with the Project's Benefits Strategy which ensures that Newfoundlanders and Labradorians are the primary beneficiaries of the Lower Churchill Project,” Bennett explained. “Nalcor will have policies and procedures, as well as monitoring and reporting mechanisms to ensure SNC-Lavalin and any sub-contractors adhere to the Benefits Strategy.”

The contract award is an important milestone for the Project and further detailed engineering will move in parallel with other key project elements as Nalcor progresses



through to sanction. “SNC-Lavalin’s specialized expertise is an important addition to the project at this point in time,” noted Bennett.

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**About Nalcor Energy**

Nalcor Energy is headquartered in St. John’s, NL, Canada. Its business includes the development, generation, transmission and sale of electricity; the exploration, development, production and sale of oil and gas; industrial fabrication and energy marketing. Focused on sustainable growth, the company is leading the development of the province’s energy resources and has a corporate-wide framework which facilitates the prudent management of its assets while continuing an unwavering focus on the safety of its workers and the public. Nalcor currently has five lines of business: Newfoundland and Labrador Hydro, Churchill Falls, Oil and Gas, Lower Churchill Project and Bull Arm Fabrication.

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## **EPCM Contract Award Q&As – December 2010**

### **Q: What is the value of this contract?**

A: The cost will be in the hundreds of millions of dollars; however the specific value cannot be provided at this time as final negotiations are ongoing, making it commercially sensitive.

The EPCM contract, whilst critical to a successful outcome, is a small percentage of the total cost of the Lower Churchill Project and is primarily a heavy civil construction project with all the field work being carried out in the province.

### **Q: What is Nalcor doing to ensure Newfoundlanders and Labradorians benefit from the Project and this contract?**

A: The EPCM contract aligns with the Project's Benefits Strategy which optimizes benefits for Newfoundland and Labrador. Nalcor is committed to ensuring these benefits for the province and will have policies and procedures, as well as monitoring and reporting mechanisms in place to ensure the EPCM consultant, as well as any subcontractors, adheres to the Benefits Strategy. Furthermore, Nalcor is working to develop implementation strategies to ensure adherence to Newfoundland and Labrador benefits commitments.

The Project will be executed on an economic basis, adhering to competitive business practices while also ensuring Newfoundland and Labrador companies have full and fair access to business opportunities. As part of its commitment to encouraging the training and participation of groups that are under represented and removing barriers to employment opportunities for such groups, Nalcor Energy is developing and will implement a Diversity Program and Gender Equity Program to which SNC-L will also adhere.

### **Q: How did Nalcor Energy make this decision?**

A: This decision is the result of a lot of effort and has followed a well laid out plan. An Expression of Interest (EOI) was issued in February 2009 to engineering and project management companies in order to further advance detailed design work and to obtain additional project management support for the Project. Based on responses to the EOI, three of the five EOI respondents were invited to participate in the Request for Proposal (RFP) process, submitting proposals in September 2010.



The RFP responses were subject to a thorough and comprehensive review. The review process was undertaken by a dedicated team according to pre-established evaluation methodology and criteria. Technical and commercial responses were evaluated separately, and the RFP respondents were subjected to follow-up interviews and provided with opportunities to provide clarification to the assessment team. At the end of the process, the recommendation was reviewed by a separate team to ensure compliance with the pre-established process.

The details of the proposal and evaluation will remain strictly confidential as it contains commercially sensitive information.

**Q. Why is Nalcor awarding this contract now before the environmental release, ratification of the Innu agreement and project sanction?**

A: The EPCM contract is a critical component for project sanction. More specifically, the EPCM consultant develops the technical and construction aspects for the Project that provides degree of certainty required to enable Project sanction. The EPCM consultant has been chosen now to ensure the process is moving in parallel with the other project elements that are being assessed. The EPCM consultant brings essential know-how and specialist resources to the project at the right time in the project planning which will help minimize risk during construction. This is consistent with other mega projects.

We are taking a prudent, practical and strategic approach to this development and we are ensuring due diligence and best practices are followed in proceeding with all aspects of project planning.

**Q: Why wasn't this contract awarded to a local company?**

A: Given the magnitude of the work to be undertaken, we are looking for a significant amount of specialized experience and capability. The companies participating in the process have significant engineering, procurement and construction management experience with large scale hydro developments. A demonstrated track record and capability to execute megaprojects are essential. This is similar to other mega projects such as those in the mining and oil and gas industry. SNC-L has a local office and experience working in Newfoundland and Labrador and around the world. They are one of the world's leading engineering companies.



**Q: How can local engineering, procurement and construction management companies benefit from this Project?**

A: SNC-L has a local office and those interested should contact SNC-L directly to discuss possible subcontract or spin off opportunities. Furthermore, the increased demand for EPCM work in the province will create additional opportunities for other engineering firms. Whether these opportunities will be created directly by Lower Churchill subcontracts, or opening up opportunities on other jobs, there will be opportunities for local companies.

**Q: How does this align with the Benefits Strategy with the Province?**

A: This selection is aligned with the Province's Benefits Strategy for the Project. In particular:

- The EPCM project office will be located in St. John's;
- Project engineering will be completed within the province; and
- Project procurement will be completed from the Province.

Nalcor anticipates that the target of 2.5 million person hours of engineering associated with Phase 1 will be met.

The responses to the RFP included commitments from the bidders regarding how they would execute the project and comply with the requirements of the Lower Churchill Project Benefit Strategy recently agreed with the Province. These commitments will be included in the executed EPCM contract.

**Q: Considering all the challenges with Hydro Quebec, why would you choose SNC-L, a Quebec company who works closely with Hydro Quebec?**

A: The selection was the outcome of a thorough process that was conducted in accordance with best practices. The successful bidder was chosen because they offer the best value for the Project and for the province and people of Newfoundland and Labrador. SNC-L's head office is located in Ontario and the company has offices across the country, including in Newfoundland and Labrador, as well as internationally.

**Q: What made SNC-Lavalin more suitable than Hatch Ltd. and Black and Veatch?**

A: SNC-L was chosen because they offer the best value for the Project and for the province and people of Newfoundland and Labrador. They submitted a response that was technically and commercially superior to those of the other bidders. .

**Q: Did you favour SNC-L because of its Innu Partnership?**



A: The RFP included a requirement that all commitments made in an IBA with Innu Nation will be upheld by the successful EPCM consultant, contractors and subcontractors. SNC-L was chosen because they offer the best value for the Project and for the province and people of Newfoundland and Labrador. Proposals were evaluated, in part, based on a commitment to meet the Project Benefits Strategy that has been issued by the Province; however, other technical, commercial and project execution considerations were also featured in the evaluation process to arrive at an overall score.

(Only if asked directly – Nalcor is aware that SNC-Lavalin has a partnership with Innu Nation, but the RFP submission was made by SNC-Lavalin).

**Q: Does this contract include the Maritime Link? Why not?**

A: This contract currently does not include the Maritime Transmission Link between Newfoundland and Nova Scotia. A decision has not been finalized on that aspect of the Project regarding engineering and procurement.

**Q: Why doesn't this contract include the Strait of Belle Isle crossing?**

A: The Strait of Belle Isle crossing section of the Labrador – Island Transmission Link is not included in this contract. Given the specialized nature of the work, Nalcor has elected to keep this work separate and outside the EPCM scope. Nalcor has a team of marine experts with extensive experience from the NL offshore oil and gas activity which is directly applicable to the technical challenges of the Strait of Belle Isle crossing.

**Q: Where will SNC -L offices for this work be located?**

A: SNC-Ls engineering and procurement office will be located in the metro St. John's area. Construction management will take place in the field – primarily at Muskrat Falls, and along the transmission line from central Labrador to Soldier's Pond.

**Q: Does SNC-L have a presence in Labrador?**

A. SNC-L's Labrador presence has been in conjunction with work that they have undertaken there. SNC-L is the EPCM contractor for Voisey's Bay and actively completes infrastructure projects in the region. SNC-L also has a partnership with Labrador's Innu Nation.

**Q. Why does Nalcor not do this work itself – it's our project?**

A. SNC-L has specialized expertise in the engineering, procurement and construction management of large scale hydro developments. Nalcor will still be



in charge of the project, decision making and will have a strong owner team in place to oversee the work.

**Q. Does Emera have a role in this selection?**

A. Emera is a key partner in the Lower Churchill Project and have been consulted on this decision.

**Q. What are the timelines for this work and what occurs when complete?**

A. The EPCM contract will be in place until first power.

**Q. How much work will happen in Labrador?**

A. Given that the Project is primarily located in Labrador, a significant amount of this work will be done in Labrador. Engineering and procurement for the Lower Churchill Project will be performed predominantly from St. John's and as the Project progresses, construction management will occur predominantly at the Muskrat Falls generating site in Labrador, as well as at various transmission locations in Labrador and on the island.

**Q. Why is this a letter of intent versus a contract award?**

A. While we've completed the evaluation process and have identified SNC-L as the preferred consultant, it's necessary to finalize the contract with the preferred consultant.

**Q:What are the other key elements to be completed prior to project sanction?**

A: The completion of a sufficient level of engineering work prior to sanction is important to minimize risk and ensure first power targets are met. The remaining elements include the release of the generation and transmission projects from environmental assessment processes; final ratification of the Lower Churchill IBA and Churchill Falls Redress Agreement; conversion of the Nalcor/Emera term sheet into formal legal agreements; and finalization of financing.

**Q: Did the November 18 announcement with Emera have any impact on the scope or magnitude of this contract?**

A: No. The Request for Proposal (RFP) process was structured to allow flexibly within the scope for all project scenarios.



## EPCM Contract Decision

### Key Messages

#### General

- SNC-Lavalin has been chosen as the successful EPCM consultant for the Lower Churchill Project.
- This was a value-based decision process, which aligns with the Project's Benefits Strategy and considers technical and commercial execution aspects for engineering, procurement and construction management of the Project. The details of the proposal and evaluation will remain strictly confidential as it contains commercially sensitive information.
- While we've completed the evaluation process and have identified SNC-L as the preferred consultant, it's necessary to finalize the contract with the preferred consultant. For this reason, Nalcor has issued a letter of intent.
- While the EPCM contract is critical to the success of the Project, it accounts for only a small percentage of the overall Project budget.
- The cost will be in the hundreds of millions of dollars; however the specific value cannot be provided at this time as final negotiations are ongoing, making it commercially sensitive.
- The EPCM contract will be in place until first power.
- SNC-Lavalin specializes in hydroelectric developments, transmission, HVdc specialties and civil works.
- SNC-Lavalin is a Canadian company with offices across the country, as well as internationally.
- Engineering and procurement for the Lower Churchill Project will be performed predominantly from St. John's. As the Project progresses, construction management will occur predominantly at the Muskrat Falls generating site in Labrador, as well as at various transmission locations in Labrador and on the island.
- The Project will be managed here and decisions and project controls will be in NL to meet the Project objectives – one of which is to optimize benefits to Newfoundland and Labrador.
- This contract is for Phase 1 of the Lower Churchill Project- comprised of the Muskrat Falls Generating Facility, as well as the Labrador – Island Transmission Link. The Strait of Belle Isle crossing section of the Labrador – Island Transmission Link is not included in this contract.
- Nalcor Energy will conduct the work related to the strait crossing using a specialized contractor.
- This contract currently does not include the Maritime Transmission Link between Newfoundland and Nova Scotia. A decision has not been finalized on that aspect of the Project regarding Engineering and Procurement.
- Emera is a key partner in the Lower Churchill Project and have been consulted on this decision.
- Nalcor Energy will ultimately manage the Project and will continue to be the Project owner and decision maker.

## NL Benefits

- Nalcor Energy is committed to ensuring optimal benefits to Newfoundland and Labrador.
- The lower Churchill River resource will be developed for the primary benefit of the people of this province- that is a pillar of the provincial government's resource development policy and the Energy Plan.
- The EPCM contract aligns with the Project's benefit strategy.
- Policies, procedures and monitoring and reporting mechanisms will be in place to ensure the EPCM consultant, as well as any subcontractors, adhere to the benefits strategy.
- Nalcor will work to develop implementation strategies to ensure adherence to Newfoundland and Labrador benefits commitments.
- Nalcor and SNC-Lavalin and any future sub-contractor(s) will work with all Project stakeholders to promote opportunities in Newfoundland and Labrador while assuring the economic viability of the Project.
- The Project will be executed on an economic basis, adhering to competitive business practices while also ensuring Newfoundland and Labrador companies have full and fair access to business opportunities. As part of its commitment to encouraging the training and participation of groups that are under-represented and removing barriers to employment opportunities for such groups, Nalcor Energy is developing and will implement a Diversity Program and Gender Equity Program that SNC-Lavalin will also adhere to.

## EPCM Selection Process

- For a project of this magnitude, world class engineering, procurement, and construction management experience are essential.
- An EOI was issued in February 2009 to engineering and project management companies in order to further advance detailed design work and to obtain additional project management support for the Project.
- Three of the five EOI respondents were invited to participate in the RFP process, submitting proposals in September 2010.
- Following a comprehensive review, the Project team has made a recommendation to Nalcor's Leadership Team regarding the EPCM award.
- All proponents will be advised of the outcome.

## Project Planning

- This EPCM consultant has been chosen now to ensure the process is moving in parallel with the other project elements that are being assessed. The focus right now is on getting the required data to be ready to commit to a project sanction.
- We are taking a prudent, practical and strategic approach to this development and we are ensuring due diligence and best practices are followed in proceeding with all aspects of project planning.

- We must leverage remaining opportunity to strategically shape the Project through critical front end engineering. The EPCM consultant brings essential know-how and specialist resources to exploit all available opportunities.
- The decision making process used by the Project is a staged gate approach with interim decision points which ensure we are making sound recommendations and decisions as we move forward as well as eliminating potential project risks.
- The effort to assess the feasibility of the development is continuing and will involve further study on the Project's technical and environmental elements and before a final sanction decision is made. We are aggressively working towards construction beginning as soon as possible to achieve our first power targets.